



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Application of San Diego Gas & Electric Company (U902M) for Authority to Establish Its Authorized Cost of Capital for Utility Operations for 2022 and to Reset the Annual Cost of Capital Mechanism.

A.21-08-014
(Filed August 23, 2021)

**PROTEST OF THE UTILITY CONSUMERS' ACTION NETWORK TO TEST YEAR
2022 COST OF CAPITAL APPLICATION OF SAN DIEGO GAS & ELECTRIC
COMPANY (U 902 M)**



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September 24, 2021

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I. INTRODUCTION

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Utility Consumers' Action Network (UCAN) submits this protest to the 2022 Cost of Capital Application, filed by San Diego Gas & Electric Company (SDG&E) on August 23, 2021.¹

UCAN is a 501(c)(3) non-profit dedicated to protecting and representing the interests of residential and small business customers in the SDG&E service territory. UCAN has a 38-year history of intervening in CPUC proceedings on behalf of SDG&E customers. In its Intervenor role, UCAN has participated in numerous proceedings, all representing and advocating the interests of utility ratepayers, that help the Commission receive, address and develop the record and inform the decision of proceedings. (E.g., UCAN participates in General Rates cases and Cost of Capital proceedings.) And UCAN participates in more specific and narrow proceedings ranging from review of new/continued fund mechanisms (e.g., Wildfire Fund) to rulemaking to review the current customer climate credits (e.g., Climate Credit). UCAN serves ratepayers interests in advocating for reasonable rates and costs; we offer a distinct, experienced perspective and voice on these and other issues and our participation will benefit the Commission in its development of a record to consider in this rulemaking.

II. ISSUES TO BE ADDRESSED

UCAN is in the initial stages of reviewing SDG&E's application and supporting testimony. In the application, SDG&E offers a framework of primary issues to be considered in this application, including:

- The appropriate capital structure;

¹ The filing was noticed in the CPUC daily calendar on August 24, 2021.

- The appropriate cost of Long-Term Debt;
- The appropriate cost of Common Equity; and
- Appropriateness of continuing the Cost of Capital Mechanism, and whether SDG&E's proposed modifications are reasonable.

While still in the initial stage of reviewing the application, UCAN notes several key issues it may address in this proceeding:

- SDG&E's right to file an application for a new authorized cost of capital application for Test Year 2022 ("TY 2022") under the CCM;
- Cost of common equity;
- Capital structure;
- Cost of long-term debt; and
- SDG&E's recommendation to continue the CCM and evaluate whether the Company's proposed enhancements to the CCM are appropriate.

The application raises several preliminary areas of concern for UCAN that merit further investigation by the Commission. UCAN will analyze all aspects of the SDG&E's cost of capital application including an analysis of the proposed ROR. UCAN will evaluate SDG&E's CCM testimony addressing SDG&E's assertion that the pandemic is an extraordinary or catastrophic event that has caused the annual ROE adjustment of the CCM to not function as intended, thus creating the conditions for the Company to have the right to file an application for a new authorized cost of capital. UCAN will also review and analyze all proposed modifications to the CCM. These "enhancements" are intended to address shortcomings and omissions in the CCM that create ambiguity that SDG&E has encountered in its application. UCAN will evaluate SDG&E's recommended capital structure and whether cost of debt are justified by the SDG&E's actual numbers. UCAN will review if the capital structure is reasonable given the capital structure of comparable utilities. And UCAN will conduct a risk premium analysis. UCAN can offer analysis and critique of the assumptions and relevance of the specifics of the business risk elements cited by SDG&E in its Application.

III. PROCEDURAL ISSUES

A. Proceeding Categorization and Need for Hearings

UCAN agrees with SDG&E that this proceeding should be categorized as rate-setting. UCAN also agrees that an evidentiary hearing will be necessary to address questions of fact.

UCAN, however, proposes a slight amendment to schedule, as discussed below.

B. Proposed Procedural Schedule

SDG&E raises complex issues in its application that will require a considerable amount of review, analysis and discovery. In order to participate fully and conduct a meaningful level of research and analysis, UCAN will need more time than suggested in SDG&E’s initial schedule. UCAN proposes the following change (in **Bold** below) to the date suggested for Intervenor Testimony; the new date still falls before the Thanksgiving holiday while allowing for adequate time for Rebuttal Testimony.

Event	Date	<i>UCAN Amendment</i>
Application Filed	August 23, 2021	
Motion Requesting a Memorandum Account Filed	August 23, 2021	
Responses to Motion Filed	September 7, 2021 or Fifteen Days after Motion Filed	
Protests or Responses Filed	Around September 22, 2021	
Reply to Protests or Responses	Filed Around October 4, 2021	
Prehearing Conference Held	October 8, 2021	
Intervenors’ Testimony Served	November 15, 2021	<i>November 22, 2021</i>
Rebuttal Testimony Served	December 20, 2021	
Evidentiary Hearings	Mid-January 2022	
Opening Briefs	Late-February 2022	
Reply Briefs	Mid-March 2022	
Proposed Decision	April 2022	
Final Decision	May 2022	

IV. CONCLUSION

UCAN looks forward to participating in this proceeding.

Dated: September 24, 2021

Respectfully submitted,
/s/ Edward Lopez
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